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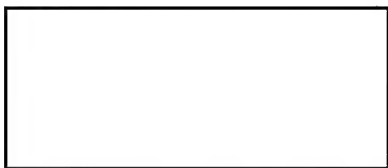
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### GENERAL

1. British infer Peiping "not wholly negative" on Indian truce plan:

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The British Foreign Office believes that Peiping's response to the Indian truce plan for Korea "does not begin to be as wholly negative" as the USSR would have the UN believe.

The Foreign Office notes that Premier Chou En-lai's statement of 28 November and the official People's Daily editorial of that date, supporting the Soviet resolution, did not mention the Indian plan. The British Charge in Peiping reports that as of 6 December the Chinese press had offered no independent comment, but merely reprinted Vyshinsky's 1 December speech and TASS comment on the plan.

Comment: Peiping has not suggested, either through the Indian Ambassador or other channels, that its position on the Indian plan differs significantly from that of the USSR. Soviet responsibility for presenting the Communist position in the United Nations may be the reason for the absence of independent Chinese comment.

2. Japanese view Soviet note as exploratory move:

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Japanese officials believe that a recent Soviet attempt to present an official note to the Foreign Office regarding a minor shipwreck case may have been intended to explore the possibilities of de facto relations without establishing a legal status. The American Embassy was informed that the Japanese Government was determined to oppose such Soviet moves.

The note, which was accepted only as an informal memorandum, was presented at the first formal Soviet call on the Foreign Office since the peace treaty became effective.

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Comment: Since the end of the occupation, members of the Soviet mission who remained in Japan have not had official status. A similar desire to establish de facto relations may explain the recent Chinese Communist offers to repatriate Japanese nationals, to authorize fishing operations off the China coast, to conclude a barter trade agreement, and to open Chinese ports to Japanese ships.

Before establishing diplomatic relations with the Communist nations, however, Japan insists on a revision of the Sino-Soviet Pact, a cessation of aid to Japanese Communists, and the repatriation of detained Japanese.

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### FAR EAST

4. New Chinese Communist Army reportedly moved to Hainan:

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Elements of the 51st Chinese Communist Army have been moved from the mainland to Hainan Island, according to a Chinese Nationalist Ministry of National Defense briefing report of 9 December. This army was last reported just north of the Indochina border.


Comment: Chinese Communist military strength on Hainan has been steadily increased since early 1952, when only one division was based there. Almost all of the 43rd Army is now based on Hainan, but this is the first indication that a second army is being moved there.

### NEAR EAST - AFRICA

5. General Nagib reportedly to be president of Egypt:

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The Egyptian army committee decided on 17 November that General Nagib would eventually become the first president of a republic, 

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Comment: A Wafd spokesman said on 11 December that his party would support General Nagib as president of a republic. The leader of the Moslem Brotherhood has stated that his organization also favors a republic. Army spokesmen have intimated that a decision on the question may be announced soon.

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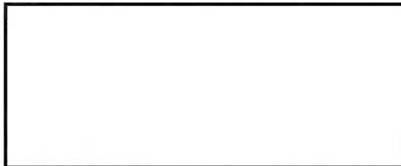
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### EASTERN EUROPE

6. Tito suggests high level Italian-Yugoslav talks:

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During a reception for the departing Italian Minister on 29 November, Marshal Tito requested him to inform Premier de Gasperi that Yugoslavia is most anxious to improve relations. Tito indicated that a meeting between cabinet officials or perhaps even chiefs of state might be more useful than negotiations through diplomatic channels. He suggested that inability to reach an agreement on Trieste should not be allowed to prejudice these talks.

Comment: It is doubtful that Tito expects a favorable Italian reaction. He is probably trying to deflect Western pressure for a solution of the Trieste problem from Belgrade to Rome by appearing conciliatory, while placing De Gasperi in an awkward position.

### WESTERN EUROPE

7. East German food shortages force withdrawals from stockpile reserves:

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Premier Grotewohl in a 9 December statement has admitted serious shortages in the East German food supply. He promised release of state reserves to alleviate immediate shortages of butter, meat, and sugar.

American officials in Berlin believe that this measure will not materially remedy the situation which has resulted chiefly from adverse weather conditions, hoarding by the rural population, and inadequate food deliveries from the Satellites.

Comment: The situation in East Germany is aggravated by food shortages in the Satellite countries. All of them are expected to suffer from meat and fat shortages by next spring. This is likely to decrease labor productivity throughout the Orbit.

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8. Comment on the new political repression in East Germany:

The suspension of the Chairman of the Liberal Democratic Party from his post as Minister of Trade and Supply is apparently inaugurating a period of increased political repression in East Germany. Premier Grotewohl's alleged statement that anti-Communist resistance will be crushed as the government moves toward Soviet-style socialism coincides with the initiation of purge programs in the Liberal Democratic Party and the East German Christian Democratic Union.

While economic difficulties appear to have caused this search for scapegoats, the crack-down on the bourgeois parties was probably the inevitable result of the initiation last summer of a broad Sovietization program in East Germany. Although it is doubtful that these parties have recently exercised a strongly moderating influence on the regime, indications of their coming demise suggest that the government no longer feels restrained from attacking such centers of resistance as the churches. This attitude may also reflect a conviction in the government that German unification cannot now be accomplished.

9. Ex-German Chancellor advises against EDC ratification:

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Heinrich Bruening, German Chancellor in 1930-1932, has reportedly told a Bonn political leader that, as a result of his personal acquaintance with officials of the incoming American administration, he is convinced that a shift in United States foreign policy can definitely be expected. Warning against underestimating the change in American attitudes, Bruening "decidedly advised against the ratification" of the Bonn and Paris treaties.

Comment: West German Social Democratic leaders are now justifying their continued opposition to the EDC treaty by the assertion that the incoming Eisenhower administration has already written off the European Army as "militarily ineffective," and favors the inclusion of a German national army in NATO. They are already exploiting Bruening's statement as that of a respected Christian Democrat who has spent many years in the United States.